

**District Court Funds of
District No. 28
City of Southgate, Michigan**

**Financial Report
with Supplemental Information
June 30, 2008**

District Court Funds of District No. 28

City of Southgate, Michigan

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Independent Auditor's Report

To the Honorable James A. Kandrevas,
District Judge of the 28th District Court
City of Southgate, Michigan

We have audited the accompanying financial statements of the governmental activity, the major fund, the discretely presented component unit, and the fiduciary fund of the 28th District Court of the City of Southgate, Michigan (the "District Court") as of and for the year ended June 30, 2008, which collectively comprise the District Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 28th District Court, City of Southgate, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, the major fund, the discretely presented component unit, and the fiduciary fund of the 28th District Court of the City of Southgate, Michigan as of June 30, 2008 and the respective changes in financial position, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 28th District Court of the City of Southgate, Michigan's basic financial statements. The accompanying required supplemental information (budgetary comparison schedule), as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the budgetary comparison schedule, which consists primarily of inquiry of management. However, we did not audit the information and express no opinion on it. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



To the Honorable James A. Kandrevas,
District Judge of the 28th District Court
City of Southgate, Michigan

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

November 4, 2008

District Court Funds of District No. 28

City of Southgate, Michigan

Statement of Net Assets June 30, 2008

	Primary Government - Governmental Activities - General Fund	Component Unit - Work Program
Assets		
Cash and cash equivalents (Note 2)	\$ 287,073	\$ 308,681
Due from primary government	-	64,374
Capital assets (Note 5)	-	11,331
Total assets	<u>\$ 287,073</u>	<u>\$ 384,386</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 5,529	\$ 6,651
Due to City of Southgate	124,998	42,225
Due to State of Michigan	41,384	-
Due to Wayne County	2,594	-
Due to work program	64,374	-
Trust account and other	34,229	2,734
Due to District Court Capital Improvement Fund (held by City of Southgate)	13,965	-
Total liabilities	287,073	51,610
Net Assets		
Invested in capital assets	-	11,331
Unrestricted	-	321,445
Total net assets	-	332,776
Total liabilities and net assets	<u>\$ 287,073</u>	<u>\$ 384,386</u>

Note to Reader - The statement of net assets is prepared under the full accrual method. For the governmental activities, there are no reconciling items between this method of accounting and the fund-based balance sheet, which is to be presented under the modified accrual method. Therefore, separate presentation of the fund-based balance sheet is excluded from the basic financial statements.

District Court Funds of District No. 28

City of Southgate, Michigan

Statement of Activities Year Ended June 30, 2008

	Program Revenues				Net Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Functions/Programs						
Primary government:						
Governmental activities -						
Court activities	<u>\$ 132,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (132,937)	\$ -
Component unit - Work program	<u>\$ 406,772</u>	<u>\$ 343,606</u>	<u>\$ 72,234</u>	<u>\$ -</u>	-	9,068
General revenues - Fines and forfeitures					<u>132,937</u>	<u>-</u>
Change in Net Assets					-	9,068
Net Assets - Beginning of year					<u>-</u>	<u>323,708</u>
Net Assets - End of year					<u>\$ -</u>	<u>\$332,776</u>

Note to Reader - The statement of activities is prepared under the full accrual method. There are no reconciling items between this method of accounting and the fund-based statement of changes in fund balance, which is to be presented under the modified accrual method. Therefore, presentation of the fund-based statement of changes in fund balance is excluded from the basic financial statements.

District Court Funds of District No. 28

City of Southgate, Michigan

Fiduciary Fund

Statement of Fiduciary Assets and Liabilities

June 30, 2008

	Agency Fund - Bond Account
	<hr/>
Assets - Cash and cash equivalents	\$ 147,388
	<hr/>
Liabilities - Deposits	\$ 147,388
	<hr/>

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2008

Note I - Significant Accounting Policies

The accounting policies of the 28th District Court (the "District Court") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of significant accounting policies:

Reporting Entity

The District Court is governed by one elected judge. The District Court's district control unit is the City of Southgate (the "City"). As required by accounting principles generally accepted in the United States of America, these financial statements present the District Court and its component unit. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The work program is a component unit (not-for-profit organization) and is included in the District Court's reporting entity because of the significance of its operational or financial relationships with the District Court. The work program has a separate federal identification number and is used to account for fees paid by defendants and the expenses related to community services performed by and provided to defendants. The work program is governed by the judge. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the city limits.

Fund Accounting

The accounts of the District Court and its component unit are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Fund - The financial activities of the General Fund are generally limited to the collection of amounts that are subsequently returned or paid to third parties. However, the general account is also responsible for the payment of various operating expenses of the District Court and is, therefore, classified as a governmental fund.

Fiduciary Fund - The bond account of the District Court is an Agency Fund. The financial activities of the fund are limited to collections of amounts that are subsequently returned or paid to third parties. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2008

Note I - Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District Court's financial statements consist of a statement of net assets and a statement of activities for the General Fund and the component unit work program. The financial statements also contain fiduciary fund financial statements for the bond account.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. There are no differences between the modified accrual and full accrual statements.

The statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets as well as long-term debt and obligations, if any. There were no long-term obligations at June 30, 2008. The District Court's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The bond account is reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The District Court has elected not to follow private sector standards issued after November 30, 1989 for its activities.

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2008

Note 1 - Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets

Capital Assets - Capital assets are defined by the District Court as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market values at the date of donation.

At June 30, 2008, capital assets consist strictly of vehicles for the component unit. Vehicles are depreciated using the straight-line method over a five- or 10-year life.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are recorded at fair value, based on quoted market prices.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The District Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade, and bank investment pools and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2008

Note 2 - Deposits and Investments (Continued)

The District Court has designated one bank for the deposit of District Court funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, mutual funds, bank investment pools, and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The District Court's deposits and investment policy are in accordance with statutory authority.

The District Court's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had approximately \$234,000 and the component unit had approximately \$209,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Court Operations

The majority of the costs relating to the operation of the District Court are budgeted items of the City of Southgate, Michigan's General Fund and, accordingly, such costs are paid by the City's General Fund. The District Court did incur operating expenses of \$132,937 in the General Fund. These operating expenses were budgeted for and are disclosed in detail in the required supplemental information section. The Court adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. The budget is prepared prior to the start of the fiscal year in conjunction with the City's budget. City management prepares the budget after reviewing prior year expenditures and considering expected changes in costs and presents the budget to Council for approval. During the year, management amends the budget as expectations change. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Risk Management

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court, through the City, has purchased commercial insurance for medical benefit claims. The District Court participates with the City in the Michigan Municipal Risk Management Authority, a risk pool for claims relating to property loss, torts, and errors and omissions. The District Court, through the City, is primarily self-insured for employee injuries, but has purchased stop-loss commercial insurance to limit losses. The City estimates related liabilities at year end. The District Court's liability at June 30, 2008 is immaterial. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Note 5 - Capital Assets

Capital asset activity of the District Court's component unit was as follows:

	Balance			Balance
	July 1, 2007	Additions	Deletions	June 30, 2008
Capital assets being depreciated - Vehicles	\$ 77,777	\$ -	\$ 21,500	\$ 56,277
Less accumulated depreciation	(61,166)	(5,280)	(21,500)	(44,946)
Net capital assets	<u>\$ 16,611</u>	<u>\$ (5,280)</u>	<u>\$ -</u>	<u>\$ 11,331</u>

Depreciation expense was \$5,280 for the year ended June 30, 2008.

Required Supplemental Information

District Court Funds of District No. 28

City of Southgate, Michigan

Required Supplemental Information

Budgetary Comparison Schedule

Year Ended June 30, 2008

<u>Operating Expenditures</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Office supplies	\$ 2,500	\$ 2,500	\$ 2,491	\$ 9
Operating supplies	12,000	12,000	15,406	(3,406)
Professional fees	28,400	28,400	30,503	(2,103)
Dues and subscriptions	7,000	7,000	6,974	26
Communications	6,500	6,500	6,514	(14)
Travel and training	4,000	4,000	3,220	780
Public utilities	15,000	15,000	14,890	110
Repairs and maintenance	13,700	13,700	14,552	(852)
Rentals	26,850	26,850	26,941	(91)
Miscellaneous	1,500	1,500	9,371	(7,871)
Insurance	2,150	2,150	175	1,975
Capital outlay	-	-	1,900	(1,900)
Total operating expenditures	<u>\$ 119,600</u>	<u>\$ 119,600</u>	<u>\$ 132,937</u>	<u>\$ (13,337)</u>

Note: The District Court did not budget revenue. The District Court retains funds from the transfer to the City to cover all expenses.

Other Supplemental Information

District Court Funds of District No. 28

City of Southgate, Michigan

Schedule of Cash Receipts and Disbursements

General and Bond Accounts

Year Ended June 30, 2008

	General Account	Bond Account	Total
Cash and Cash Equivalents - July 1, 2007	\$ 252,909	\$ 185,686	\$ 438,595
Receipts			
Fines and fees collected	2,629,084	-	2,629,084
Receipts	-	617,382	617,382
Trust accounts and restitution	21,097	-	21,097
Total receipts	2,650,181	617,382	3,267,563
Disbursements			
Transfers:			
City of Southgate	1,389,293	-	1,389,293
State of Michigan	455,515	-	455,515
Capital Improvement Fund	150,953	-	150,953
Wayne County	36,671	-	36,671
Transfer to work program	424,157	-	424,157
Bond refunds and forfeitures	-	652,132	652,132
Operating expense	132,937	-	132,937
Bank fees	13,525	3,548	17,073
Trust accounts, restitution, and other	12,966	-	12,966
Total disbursements	2,616,017	655,680	3,271,697
Cash and Cash Equivalents - June 30, 2008	\$ 287,073	\$ 147,388	\$ 434,461

28th Judicial District Court

**Report to Judge James A. Kandrevas
June 30, 2008**



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November 4, 2008

To Judge James A. Kandrevas
28th Judicial District Court

We have recently completed our audit of the basic financial statements of the 28th Judicial District Court (the "Court") for the year ended June 30, 2008. In addition to our audit report, we are providing the following report on internal control and results of the audit of the Court:

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We are grateful for the opportunity to be of service to the 28th Judicial District Court. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Beth A. Bialy".

Beth A. Bialy

A handwritten signature in black ink, reading "William E. Brickey".

William E. Brickey

Report on Internal Control

November 4, 2008

To Judge James A. Kandrevas
28th Judicial District Court

Dear Judge Kandrevas:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Court's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the 28th Judicial District Court as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To Judge James A. Kandreas
28th Judicial District Court

We have identified the following significant deficiencies that we would like to communicate as a result of our audit.

1. Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature.
2. The Court has not included a management's discussion and analysis in the financial statements, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

We consider item 1 above to be a material weakness.

This communication is intended solely for the information and use of management, the Judge, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

November 4, 2008

Results of the Audit

To Judge James A. Kandrevas
28th Judicial District Court

We have audited the financial statements of the 28th Judicial District Court for the year ended June 30, 2008 and have issued our report thereon dated November 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 17, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the 28th Judicial District Court. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our communication about planning matters dated May 27, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by 28th Judicial District Court are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the Court during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified during our audit. The material misstatements related to the posting of probation distributions and a prior year adjusting journal entry not being posted. The material misstatements detected as a result of the audit were corrected by management.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Court's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To Judge James A. Kandrevas
28th Judicial District Court

November 4, 2008

Other Audit Findings or Issues

In the normal course of our professional association with the Court, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Court's auditors.

This information is intended solely for the use of the Judge and management of the 28th Judicial District Court and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 4, 2008